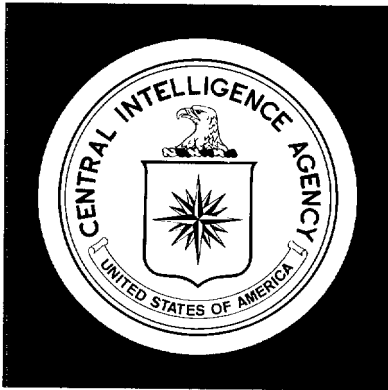


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CAMBODIA: Sihanouk's political position has been strengthened as a result of his alleged trip to the Communist "liberated zone" in Cambodia. It is being used by the Communists to reinforce Sihanouk's claim as Cambodia's "legitimate" chief of state. The attention Sihanouk is now receiving in Hanoi is the clearest indication to date that the North Vietnamese are willing to support Sihanouk's restoration to a position of power in Cambodia.

There are signs that Hanoi may be bringing the Khmer Communists, whose ranks contain a sizable anti-Sihanouk faction, around to a more tolerant attitude toward their "commander in chief." The radio of the "National United Front of Cambodia," which is controlled by the North Vietnamese, noted that the three ostensible leaders of the insurgency all paid their respects to Sihanouk on his arrival and escorted him on his travels. Sihanouk himself claims that his relations with the insurgents have improved. He told a French journalist in Hanoi on 8 April that the Cambodian "resistance" was now united, following his discussions with insurgent leaders.

Sihanouk also quoted Premier Chou En-lai as saying that no new military equipment would be turned over to the Khmer Communists, because the Paris Agreement bans such deliveries. According to Sihanouk, Chou said that it would be up to the insurgents to "multiply" the military "capital" already received from China. Even without more aid from Peking, the Communists can still sustain the fighting provided Hanoi continues logistic support.

Sihanouk repeated his opposition to negotiations or compromise with the Lon Nol government, but played down the possibility of a direct Communist assault on Phnom Penh. Sihanouk claimed that, in view of US air support, it would be better to wait in the expectation that the Lon Nol government will collapse from within.

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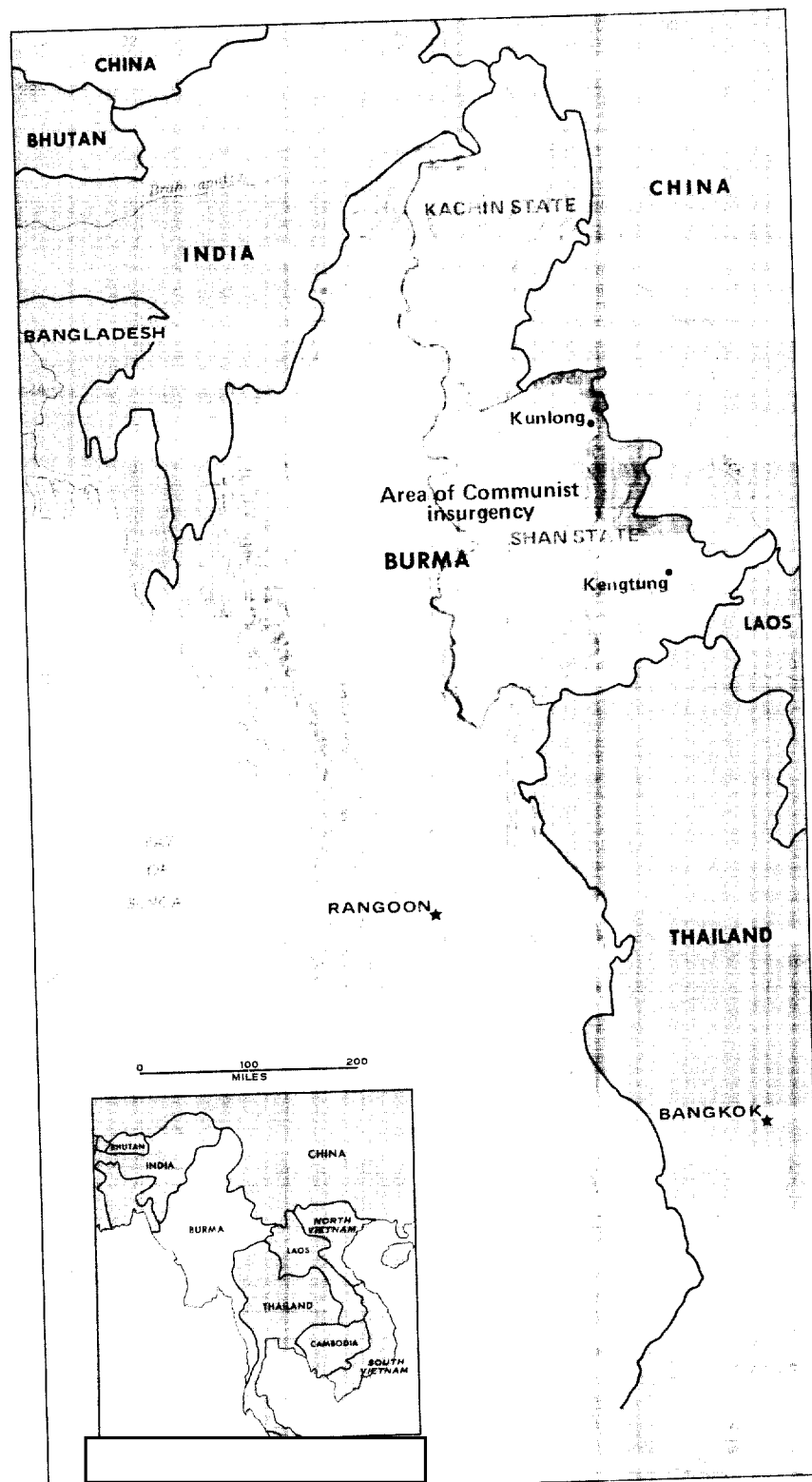
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BURMA: Communist insurgent activity along the Sino-Burmese border has dropped to an unusually low level.

From the evidence available, the Communists appear to be concentrating on strengthening their political control in ways that do not challenge the Burmese Army directly. They have begun to build a political apparatus at the village level and to recruit and train new forces in regions they hold securely. At the same time, the Communists are quietly expanding their activity southward toward Kengtung, into an area traditionally under only tenuous government control. Local officials claim that all the villages in an area 60 miles east of Kengtung have fallen under Burmese Communist influence.

The insurgents' efforts at consolidation and expansion are aided by Rangoon's failure to contest the Communists for control of territory east of the Salween River. The town of Kunlong, which was under Communist siege in late 1971, is the only important population center in the region still in government hands. The insurgents have chosen not to renew the siege, but the government garrison there remains in a defensive stance. In the Kengtung area farther south, the government is preparing to abandon its few outposts if the insurgents apply military pressure.

The lower level of insurgent military operations this year may also reflect Peking's current policy.

Peking may have persuaded the insurgents to avoid major offensive actions that would alarm the Burmese. The insurgents, who

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now number about 4-5,000 men, are armed and supplied by the Chinese and, at least in some instances, directed by Chinese military personnel.

Prime Minister Ne Win hoped this support would end following his trip to China in August 1971, but there has been no sign of a slackening, [REDACTED]

[REDACTED] Although the Burmese Government appears resigned to the loss of remote border territory to the insurgents, Peking's continuing support role is causing anxiety in Rangoon. This anxiety has been one reason for Rangoon's current effort to improve ties with other governments in Southeast Asia. [REDACTED]

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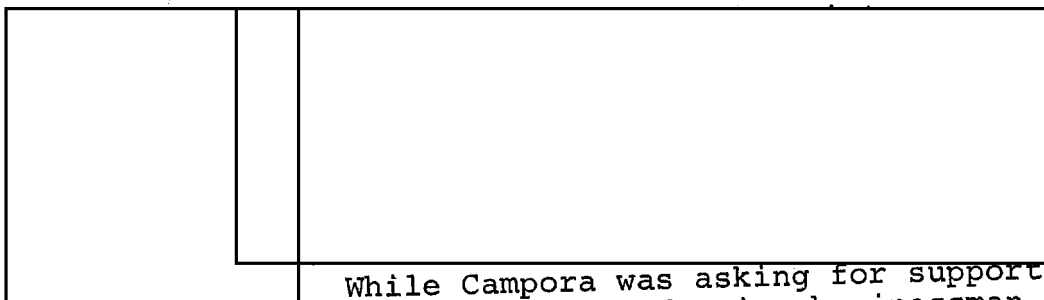
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ARGENTINA: Peronists are showing increasing concern that political violence will cause serious problems for the newly elected Campora government or possibly even obstruct the peaceful transfer of power. President-elect Campora has called on terrorists to observe a truce that will let him prove he "is on the right path." He claimed that no "true Peronist" was involved in the wave of terrorism since the election. Campora apparently still hopes to attract the cooperation of radical-leftist youth and continues to speak of amnesty for political prisoners.



While Campora was asking for support over nationwide radio, another foreign businessman was being kidnaped. The British national was seized only one day after a US business executive was released for more than a million dollars ransom. There is still no ransom demand for the retired Argentine admiral who was kidnaped last week.

Armed forces leaders have reiterated their pledge to turn over power to Hector Campora on 25 May, but they are likely to use the latest round of terrorist violence to strengthen their hand in talks with the Peronists. The Peronists had argued that terrorism would subside if they won the election, but with evidence to the contrary the military will press hard for a continued major role in maintaining domestic order and security.

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CYPRUS: Greek Cypriot violence reached a new high over the weekend and President Makarios may have to invoke emergency measures to restore order.

The current round began last Thursday with the assassination of a Makarios supporter. On Sunday, pro-Makarios forces retaliated by setting off 33 explosions against property controlled by Grivas elements. Makarios subsequently issued his strongest condemnation so far of the violence. According to press reports, he intends to speed up the formation of his auxiliary police force and reimpose a 1971 emergency law. Ignoring the archbishop's statement, Grivas' raiders attacked three police stations yesterday, wounding three policemen and suffering one casualty.

This violence has affected the intercommunal talks, where disarray among the Greeks is encouraging the Turks to resist Greek offers. The negotiators recessed last Friday and will resume meeting on 17 April, but prospects for an early settlement have become even more remote.

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PAKISTAN: The opposition has rejected President Bhutto's latest constitutional proposals and is continuing its boycott of the National Assembly. Bhutto offered little to his opponents, who were demanding major changes in the constitution. In spite of the boycott, Bhutto apparently intends to hold to his schedule calling for a new constitution by 21 April. His followers in the assembly have approved some controversial provisions--such as one obviating the need for early elections--that had been deferred during the attempt to reach a compromise with the opposition. [REDACTED]

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INTERNATIONAL MONETARY DEVELOPMENTS: Preliminary discussions of ways to deal with the adverse impact of speculative capital movements on currency markets have underscored differences of opinion between the European Community and other nations. At a meeting last week of a subgroup of the Committee of Twenty, the body set up by the International Monetary Fund to develop monetary reform proposals, many nations expressed skepticism regarding the effectiveness of existing European controls, primarily because of leads and lags in trade transactions. Some representatives stressed a preference for stand-by rather than continuous controls. European advocacy of tighter controls over the Eurocurrency market brought strong opposition from officials of the developing countries who use that market extensively to protect and increase the return on their reserve holdings. The Europeans are mainly concerned about stabilizing the joint float. Unless some provision is made to control the massive funds available for speculation, a successful attack on the joint float would seem likely. [REDACTED]

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